

Grocery chains hike milk prices

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Rise in farm costs cited; critics say firms seeking to preserve high profits

By Bruce Mohl, Globe Staff, 9/3/2003

A sharp rise in the farm price of milk pushed retail prices up over the holiday weekend, as the region's biggest supermarket chain hiked the price of its store-brand milk by a dime to \$3.09 a gallon.

Stop & Shop Supermarkets and Shaw's Supermarkets held their retail prices steady at \$2.99 a gallon in the spring when the farm price fell to a 25-year-low. But when the farm price rebounded 10 cents last month and 24 cents more this month, the two chains both increased their prices by 10 cents to protect what critics say have been excessively high profit margins.

A spokesman for Shaw's Supermarkets said the region's second-largest chain raised its price on store-brand milk late last month to offset the August farm price increase. Stop & Shop matched the Shaw's price over the weekend. Supermarket officials say prices could rise further.

Ronald Cotterill, an agricultural economist at the University of Connecticut and a critic of the supermarket chains, has estimated the retailers were making about \$1 a gallon in profit prior to the runup in farm prices. The dime increase in retail prices should keep supermarket profits on milk at slightly under \$1 a gallon.

"They're really not justified in raising their prices at all," Cotterill said.

The spread between farm and retail milk prices over the last year has angered many dairy farmers and prompted calls for restrictions on the retail price of milk. Bills that would tie the retail price to the farm price are scheduled for a hearing this week on Beacon Hill.

Many milk analysts say supermarkets have been able to maintain high profit margins on milk because increases or decreases in the price have little impact on consumer purchases.

At many convenience stores and discount outlets that had been offering milk for less than \$2 a gallon, this month's farm price increase had an even bigger impact. The price at Costco Wholesale Club in Avon jumped from \$1.89 for a gallon of 1 percent to \$2.25 yesterday. At the 7-11 in Quincy, the price of a gallon of 1 percent went from \$1.99 to \$2.19.

Some retailers were still offering prices below \$2 yesterday. The Walgreens in Dorchester was selling milk for \$1.99 a gallon and Midland Foods in Brockton was selling 1 percent milk for \$1.89 and whole milk for \$1.99.

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